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Possible impacts of Brexit on EU development and humanitarian policies

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Possible impacts of Brexit on EU development and humanitarian policies

ABSTRACT

Brexit could have a major impact on EU development and humanitarian policies. However, although Brexit is highly likely to happen, there are still uncertainties about the UK's new foreign policy approach and its repercussions on aid. The UK may act under three different scenarios (nationalist, realist, cosmopolitan) with different consequences for EU aid. The UK's leaving would challenge the EU's role as the world's leading donor: while global aid may decrease by up to 3 %, the EU could lose between 10 % and 13 % of its world aid share. Its presence, through ODA, in neighbouring countries throughout Eastern Europe and North Africa could be particularly affected, with a cut of between 1 % and 4 %, depending on different scenarios. The EU could react to Brexit by adopting two distinct approaches to foreign policy and development cooperation: either limiting its role to that of a regional power or growing to become a global leader. In the first approach, Brexit would have a very mild effect and would lead to very few policy challenges. However, in the second, the EU would need to compensate for the loss of Britain's contribution to EU aid, both in quantitative and qualitative terms.

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List of abbreviations

ACP	African, Caribbean and Pacific Group of States
BEIS	Department for Business, Energy and Industrial Strategy (UK)
DAC	Development Assistance Committee
DCI	Development Cooperation Instrument
DFID	Department for International Development (UK)
EC	European Commission
ECHO	Directorate-General for European Civil Protection and Humanitarian Aid Operations (EC)
EDF	European Development Fund
EFTA	European Free Trade Association
EIDHR	European Instrument for Democracy and Human Rights
ENI	European Neighborhood Instrument
EP	European Parliament
EU	European Union
FCO	Foreign Commonwealth Office (UK)
FPA	Framework Partnership Agreement
GDP	Gross Domestic Product
GNI	Gross National Income
IMF	International Monetary Fund
ISHA	Instrument for Stability and Humanitarian Aid
LDCs	Least Developed Countries
MFF	Multiannual Financial Framework
MICs	Middle Income Countries
MS	Member State(s)
NGOs	Non-Governmental Organisations
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PM	Prime Minister
UK	United Kingdom

Executive summary

On 23 June 2016 a referendum was held on the UK's EU membership, resulting in the majority of voters opting to leave. Prime Minister May's speech on 17 January 2017 re-emphasised the UK's intention to exit the EU single market whilst at the same time maintaining collaboration with the EU in key areas such as counter-terrorism and crime. Much of the debate on the Brexit process and its consequences has to do with human, goods, services or capital movements: development cooperation is not a major issue and nor is it expected to be in the exit negotiations.

The EU is currently the world's largest donor. According to OECD records, its institutions and member states are responsible for more than 50 % of the world's Official Development Assistance (ODA). With a total ODA volume of USD 18.7 billion in 2015, the UK stands as the aid world's second largest contributor in absolute terms. The Brexit process may, therefore, mean a huge loss for the EU as a global donor.

The aim of this study, therefore, is to support the work of the European Parliament's Committee on Development in the debate surrounding the UK's withdrawal from the EU. This paper has to cope with a considerable degree of uncertainty, as the effective Brexit process has yet to be launched, and moreover the EU has never undergone a similar process before.

Firstly, we make explicit assumptions on Brexit itself (the UK leaves the EU, EU-28 financial commitments are kept until 2020), its macro-economic impact (British GNI and the British pound remain stable, so do the EU GNI and EU currencies, including the euro) and the behaviour of the remaining MS (aid of EU-27 will not be affected by Brexit).

Secondly, we build three different scenarios for the post-Brexit era, all relating to the nature of the UK's international role as being nationalist, realist or cosmopolitan.

Thirdly, we assess the financial, political and operational effects of Brexit.

Fourthly and finally we explore the policy options for the EU under those different scenarios.

Scenarios for the UK's international role after Brexit

The Brexit vote might lead British institutions to place greater emphasis on domestic issues. If this were the case, the UK's aid budget would be cut (by approximately 30 %, if similar recent experiences in other EU MS were followed, as explained in section 3.2.1). Aid formerly channelled via EU institutions would be re-internalised and reassigned to bilateral programmes on economic infrastructures. Under this nationalist scenario, there would be no post-Brexit possibilities for UK-EU collaboration in regard to aid.

Alternatively, in line with a realist approach, Brexit may lead to a strong individual role in the world for the UK as a better way of pursuing its own interests. With an allocation similar to that in the previous scenario, an aid budget would certainly be maintained. Here again, there would be no possibilities of EU/UK collaboration.

Lastly, the UK's external role could take a more cosmopolitan approach. Aid budgets would be consistently maintained and aid formerly channelled via EU institutions would partly (say 50 %) be re-internalised. This would follow a globalist pattern of allocation through multilateral institutions. This option could possibly lead to collaboration between the UK and the EU with funds under such an agreement following the European pattern of aid allocation.

The impact of Brexit on EU aid

The different scenarios envisaged under Brexit lead to different consequences for EU development cooperation. These can be classified in three ways: financial, political and operational. We understand the financial impact to imply Brexit's effect on total aid funds (in absolute terms) channelled by each stakeholder (the UK or EU institutions, for instance).

The political impact of Brexit refers to the donating influence or reputation of a country, or union. This can be measured by using the Elcano Global Presence Index and some features of international aid such as: (1) the share of global aid disbursed by countries or unions; (2) the positions of countries and unions in donors' rankings (by volume of disbursements); (3) their participation in the multilateral systems; (4) their relative effort, measured by aid as a proportion of their economies; and (5) the extent of their presence, through ODA, in different regions.

We have defined the operational impact as the changes in organisational and managerial aspects of aid that would result from the UK's exiting the EU, analysing how the bilateral/multilateral/NGOs proportions in delivering aid would change under the different scenarios set for the post-Brexit UK.

Table 1. The impact of Brexit on EU aid

(Calculations based on net disbursements of 2015 ODA flows in millions of US current dollars)

			Post-Brexit *		
		Pre-Brexit	**Nationalist UK**	**Realist UK**	**Cosmopolitan UK**
Financial impact	Aid volume disbursed by EU institutions (volume)	13 670	11 581	11 581	12 625
Political impact	EU institutions and MS share of global ODA	58 %	48 %	46 %	47 %
	EU share in the multilateral system	61 %	52 %	50 %	49 %
	EU commitment to ODA (as a share of GNI)	0.44 %	0.43 %	0.43 %	0.44 %
	EU aid to neighbourhood countries	18 867	16 289	16 289	16 635
Operational impact	EU institutions disbursement through bilateral channels	6 726	5 698	5 698	6 212
	EU institutions disbursement through multilateral channels	2 804	2 376	2 376	2 590
	EU institutions disbursement through non-state actors	4 139	3 506	3 506	3 823

* Our estimates for each scenario based on 2015 data and assumptions

Source: https://stats.oecd.org (DAC1); last accessed 9 February 2017.

How to deal with this? Policy options for the EU

As with the UK's position, there is a degree of uncertainty as to the international role that the EU will opt for after Brexit. It may bet on being a stronger global player (increasing aid in order to compensate for the British aid loss, sticking to its current aid allocation and seeking a collaborative climate with the UK), or, alternatively, there might be a retrenchment to the nearest borders, acting instead as a regional power. In this latter case, British aid would not be replaced; aid would rather be focused on neighbourhood countries, with the prospects of collaboration with the UK being unlikely.

Combining these two different sets of options with the three post-Brexit scenarios facilitates an assessment of how to address the challenges and opportunities for development and humanitarian aid according to financial, operational and political perspectives.

If the EU were to adopt a regional power approach, the consequences of Brexit (under any scenario) would be minimal and there would, therefore, be no need for bold policy actions on the part of the Union. Whilst this would have a huge impact on the volume of aid spent, this again would not be a major issue for a Union focusing solely on its immediate borders (and challenges). EU institutions' aid would probably be reallocated to developing neighbouring countries and coexistence with British aid would be dealt with in the field, on a case by case basis.

However, if the EU were to read current challenges (Brexit, the rise of populist movements, international emergencies such as the refugee crisis) as political opportunities to grow and act as a global leader, different Brexit scenarios would require different reactions in terms of development and humanitarian policies. EU aid would necessarily increase (particularly if the UK opts for a nationalist or realist approach). Moreover, a reallocation strategy would be needed if the EU aims at compensating for the loss of NGOs' and selected multilateral actors' participation in the new scenario.

Concerning this last issue, the most important operational consequences of Brexit for the EU would fall under the third scenario (a cosmopolitan UK), and the EU's choice of being a global player. In that case, it would be in the best interests of the EU to coordinate closely with the UK in development issues, and lever the highest amount of UK funding possible to support EU instruments. Accordingly, EU institutions would need clear regulations on how to channel UK funding and how to work together with UK government officers.

The EU has the legal mechanisms for doing so and is in fact already channelling resources from EFTA countries such as Norway and Switzerland. However, the EC might consider reviewing these mechanisms in preparation for the Multiannual Financial Framework covering 2021-2027. By doing so, it would leave a door open for future UK collaboration in EU development policy. In any case, legal development in this respect would have to build upon the existing tools, which are mostly of three kinds:

- Firstly, an extra-budgetary fund based upon an international agreement among EU institutions and MS. This is the case with the EDF, based upon the Cotonou Agreement (that expires in 2020). Allowing the UK to stay as a signatory party to this agreement would be the easiest way of maintaining 'business as usual'.
- Secondly, recently developed EU trust funds allow MS and other countries to contribute financially to thematic-based or country-based large initiatives, joining boards that will make decisions on aid programmes specifically supported by those funds.
- Thirdly, delegated cooperation allows MS, EFTA countries and EU institutions to fund programmes jointly in partner countries by channelling funds through a single agency and thereby increasing overall effectiveness.

1 Introduction

On 23 June 2016, a referendum was held in the United Kingdom (UK) to see whether or not its electorate wanted to stay in the European Union (EU). This represented an important milestone in a relationship that has historically been less easy than that with other member states (MS). Difficulties had appeared in a wide range of policies, from agriculture to the possibility of a fiscal and banking union (a major agenda issue after the Great Recession). At the time of writing, a clear majority of the British Parliament has supported the triggering of Article 50 of the Treaty of the European Union (TUE) and Prime Minister (PM) May's Administration appears now to be close to do so.

In a speech delivered on 17 January 2017, PM May re-emphasised the UK's intention to leave the EU single market whilst still collaborating closely with the EU in key areas such as counter-terrorism and crime. New deals should also be struck in trade as well as regulating the status of British citizens in the EU (and vice versa). In May's words, 'no deal for Britain is better than a bad deal' (UK Government, 2017).

Much of the debate on the Brexit process and its consequences regard movement: human (extra-EU and intra-regional migration policies), capital (banking union, fiscal status, financial secrecy), together with goods and services (a post-Brexit trade arrangement). In other words, development cooperation is not a major issue in the Brexit debate, and nor is it expected to be in the exit negotiations.

The EU is the world's largest donor, being responsible for more than 50 % of Official Development Assistance (ODA), according to the Organisation for Economic Co-operation and Development (OECD) records. This European aid effort is the result of bilateral programmes in EU MS as well as their contributions to multilateral organisations and funds. From a European perspective, this is complemented by MS participation in European aid tools (for instance, the European Development Fund (EDF), which is the result of contributions by all MS), established in line with their overall contributions to the European budget on the basis of their individual Gross Domestic Product (GDP). Accordingly, the EU's aid budget results from the individual efforts of EU MS, plus aid channelled through common institutions.

Among those MS donors, the UK stands as the aid world's second largest contributor in absolute terms. With a total ODA volume of USD 18.7 billion in 2015, only the United States of America (with an economy six times larger, according to World Bank's figures) disbursed a higher volume of development assistance that same year (USD 31.08 billion). The UK is followed by Germany (USD 17.78 billion in 2015), Japan and, in fifth place, another MS, France, which contributes to world aid with a much smaller budget of USD 9.23 billion. In short, the EU is a major donor due largely to the performance of some key EU MS, such as the UK. As the UK is not only a major individual contributor, but also a major MS in the EU (partly due to its GDP compared with that of other MS), Brexit may mean a huge loss for the EU as a global donor. In any event, the UK's exiting the EU could have a significant impact in financial, operational and political terms on the EU's role as leading donor.

Analyses on Brexit implications for aid are scarce. Moreover, those that exist mostly focus on the implications of Brexit for British aid. The impact of Brexit on EU development and humanitarian aid has been largely neglected (with some exceptions – see, for instance, Szent-Ivanyi, 2016; Anderson and Mitchell, 2016a and 2016b; and Anders, 2016).

This body of research has focused on the financial implications of the UK's departure from the EU, with most concluding that Brexit will produce a decrease in UK aid. Several reasons are cited. Firstly, British GDP and Gross National Income (GNI) could decrease as a result of Brexit and the Great Britain Pound (GBP) could lose some of its value (Barder, 2016; Chonghaile, 2016; Green, 2016; Nazeer, 2016; te Velde *et al.*, 2016). Secondly, the negative impact of Brexit may result in the need to switch aid spending to cover domestic needs (Barder, 2016; Chonghaile, 2016; Green, 2016; Sow and Sy, 2016). Thirdly, massive UK aid efforts would have directly resulted from the UK's membership to the EU (Nazeer, 2016). Conversely, according to some works, Brexit could mean a new non-European commitment with global affairs and aid budgets would, therefore, be maintained at the present levels (Chonghaile, 2016; Green, 2016; Sharma, 2016).

Some press articles or think tank analyses also go through the operational repercussions of Brexit such as the difficulties for British charities to keep on working with EU institutions as they have in the recent past, or how the EDF will be reshaped without the UK, one of its major contributors (Chonghaile, 2016; Green, 2016).

In the political domain, for many authors Brexit undoubtedly means a loss of UK influence in various key institutions as well as its general contributions to the European aid debate (Anderson and Mitchell, 2016a; Barder, 2016; Green, 2016; McAvan, 2016; Price, 2016; Scoones, 2016; Szent-Ivanyi, 2016; Watkins, 2016). As for UK relations with partner countries, these might be reshaped with an increase in aid to Commonwealth States among British aid recipients or, alternatively, by deepening ties with least developed countries (LDCs) (Barder, 2016; Price, 2016; te Velde *et al*., 2016).

The very few analyses that go through the consequences of Brexit for EU aid suggest an eventual retrenchment of EU aid to the borders (Ukraine, the Balkans, North African countries) (Szent-Ivanyi, 2016), or, alternatively, a greater focus on hitherto neglected areas such as Latin America or Asia. This could result from an increase in pressure from those MS that did not have opportunities to determine the destination of EU funds while the UK was influencing EDF directives (Anders, 2016).

The goal of this study is to analyse the eventual impact of Brexit on EU development and humanitarian policies in financial, political and operational terms. Although we can take for granted that Brexit will happen (article 50 should be triggered by the end of March 2017), the exact timing of such an exit, the new terms and conditions of the relations between the UK and the EU, and the new political guidelines adopted by each party separately are still very much uncertain. Coping with this uncertainty is the main methodological challenge of this study.

In order to deal with such unpredictability, we adopt a series of assumptions on the Brexit process itself, the domestic impact of Brexit, and the EU-27 post-Brexit performance. We also set three alternative scenarios on the behaviour of the UK (in the aid domain) after Brexit. Such scenarios are built on previous Brexit analyses as well as individual interviews conducted with key aid stakeholders both in London and Brussels. These scenarios not only include a number of variables (the UK aid budget or the way this budget is channelled in regard to the country, sector and tool points of view), but can also bring about distinctive types of behaviour. This leaves the EU with a number of policy options. This study considers the different post-Brexit scenarios and their combination with policy options which will ultimately determine the type and intensity of post-Brexit collaboration between the UK and the EU in development cooperation.

The second section of this report describes our methodology and establishes assumptions. Section three goes through the variables of the study, leading to a description of the scenarios in section four. The fifth section analyses the financial, operational and political implications of Brexit under those different scenarios. Section six covers the different political perspectives for the EU in foreign relations and development issues. The final section provides various policy options for EU institutions under the different scenarios mentioned above.

2 Setting the scene

The aim of this study is to support the work of the European Parliament's Committee on Development in the debate surrounding the UK's withdrawal from the EU. From a broad perspective, development policies may cover interventions of different kinds (policy dialogue among countries, surveillance of internal and external policies impacting development countries, mobilisation of private investment and lending, etc.). However, its most visible instrument is international aid, upon which this study is mainly concentrated.

2.1 Definitions

Given the focus of this analysis, we rely on the formal definition of ODA and official assistance, as defined by the Development Assistance Committee (DAC) of the OECD. Consequently, in order to assess the financial impact on development policies of each possible post-Brexit scenario, we draw on this international body's statistical sources.

By using DAC data, we analyse information on all the EU's external aid programmes, including those which are framed under a pre-enlargement or neighbourhood collaboration scheme. In other words, we take into account all the EU financial instruments targeting non-EU countries, which include the EDF, the Development Cooperation Instrument (DCI), the European Neighbourhood Instrument (ENI), the Partnership Instrument, the European Instrument for Democracy and Human Rights (EIDHR), the Instrument for Stability and Humanitarian Aid (ISHA).

The DAC is also our information source on UK contributions to EU development aid, which are key data in this study, and appear difficult to obtain via EU sources. As per the previous paragraph, the European Commission (EC) manages several financial instruments that can be grouped in two categories for estimating Member States' contributions: budgetary funds (the DCI, the ENI, Humanitarian Aid), and extra-budgetary funds (the EDF). In the case of budgetary instruments, the UK's contribution can be assessed upon the basis of its overall contribution to the EU multiannual framework, while for the EDF, the UK's contribution can be found within the internal agreement on EU-African, Caribbean and Pacific Group of States (ACP) Treaty. Thereafter, in order to show figures upon a yearly basis, annual budgets and calls by the EC for disbursement of the EDF need to be consolidated.

In any case, since the EC regularly provides those data to the DAC, which posts them after verification on the OECD statistics webpage, we rely on this source (table 2).

Table 2. Member States contributions to EU aid budgets

(net disbursements of ODA flows in millions of US constant dollars, 2011-2015)

Country	2011	2012	2013	2014	2015
Germany	2 721.79	2 606.46	2 665.85	2 877.13	2 891.75
France	2 370.32	2 193.83	2 283.55	2 349.38	2 298.39
United Kingdom	2 054.94	1 995.65	2 041.19	1 922.33	2 159.53
Italy	1 901.32	1 598.04	1 618.10	1 661.58	1 695.62
Spain	1 105.30	990.67	1 028.47	1 024.67	1 077.18
Netherlands	677.74	637.88	649.82	647.32	647.69
Belgium	521.26	474.28	498.79	511.26	551.13
Sweden	369.59	349.35	358.19	406.19	491.08
Poland	302.62	296.24	333.15	339.10	352.70
Austria	315.83	293.07	303.30	312.55	315.61
Denmark	272.64	254.60	262.85	272.81	281.06
Finland	218.98	201.92	201.27	196.47	204.10
Greece	232.73	200.39	174.96	181.23	192.07
Portugal	177.14	163.86	158.36	166.75	170.89
Ireland	148.01	133.61	131.44	142.88	163.36
Czech Republic	128.32	115.00	114.11	127.17	125.07
Romania	128.99	104.89	108.79	130.74	115.08
Hungary	84.44	81.43	72.35	92.39	99.72
Slovak Republic	58.70	56.09	59.29	61.08	63.24

Lithuania	27.02	27.51	28.83	36.03	38.68
Bulgaria	34.68	31.97	33.96	41.84	38.27
Slovenia	35.51	32.82	33.42	34.26	37.25
Luxembourg	37.08	33.32	38.28	34.48	32.63
Croatia			14.70	35.81	29.05
Latvia	16.91	17.83	18.91	20.14	21.03
Estonia	15.91	11.53	15.89	16.28	16.18
Cyprus	16.65	14.80	15.47	15.60	15.51
Malta		5.69	6.02	6.42	8.36
Total	**1 3974.42**	**12 922.73**	**13 269.31**	**13 663.89**	**14 132.23**

Source: https://stats.oecd.org (DAC1); last accessed 9 March 2017.

This study is also aimed at identifying the impact of Brexit in operational and political terms. The former implies changes in the organisational and managerial aspects of aid as a result of the UK's exiting the EU, whilst the latter refers to possible changes in the influence and reputation of each party not only in specific areas but also on a global scale.

In order to analyse these two kinds of impact we will break aid down into sectors, regions and channels, again using OECD data. The OECD categories are not the same as those used by EU institutions when presenting their own programmes, but they do apply to all donor countries reporting to the DAC and allow comparability, therefore, among donors. For reasons of simplicity and to facilitate connections between our data and information from EU sources, we introduce certain modifications into those categories, as will be explained in the following paragraphs.

2.2 Methodology

This study will have to take into account a considerable degree of uncertainty, not only because the Brexit process has yet to be formally initiated, but also because this is an unprecedented process for the EU. We will, therefore, firstly make explicit assumptions on Brexit itself, its macro-economic impact and the behaviour of the remaining MS.

Secondly, we will identify the determinant elements of aid which are likely to vary as a result of the UK's withdrawal from the EU (variables). Since those variables might be interrelated, we will proceed by forecasting the sets of values for such variables that will demonstrate internal consistency (scenarios). Along with the description of each scenario, we will provide some information on its plausibility, as collected from privileged observers through a round of interviews that took place in London and Brussels. In early January 2017, we held a dozen meetings with analysts and/or members of think tanks (Overseas Development Institute, Centre for Global Development Europe, European Centre for Development Policy Management), Parliamentary representatives (both the House of Lords and the European Parliament), members of the government (the British Department for International Development and the European Commission) and Non-Governmental Organisations' (NGOs) representatives (Oxfam GB and Belgium, Eurodad).

Once the scenarios have been presented, we will make an assessment of their impact in financial, political and operational terms. As explained above, this assessment is made by drawing on OECD data, and comparing the current volume of ODA with the volume resulting from each likely post-Brexit scenario. For the sake of simplicity, we have grouped donor countries in OECD statistics under the following classification: (1) the UK; (2) EU institutions; (3) other EU MS; (4) others. When breaking ODA data down according to the above categorisations, we have subtracted from both the UK and other EU MS the share of their aid that is channelled through EU institutions, so that the sum of the four categories matches DAC figures on total aid[1]. Regarding the financial impact, possible effects on sector distribution of aid are also taken into account. For that purpose, we have used a simplified version of the OECD thematic classification of aid (table 3).

Table 3. Aid sector classifications

Our classification	OECD macro-sectors
Social aid	100: Social Infrastructure & Services
Economic aid	200: Economic Infrastructure & Services 300: Production Sectors
Humanitarian aid	700: Humanitarian Aid 930: Refugees in Donor Countries
Macro-financial aid	500: Commodity Aid / General Programme Assistance 600: Action Relating to Debt
Others	400: Multi-Sector / Cross-Cutting 910: Administrative Costs of Donors 998: Unallocated / Unspecified

To develop an understanding of Brexit's political impact on aid, we forecast changes in distribution across geographic regions. The country breakdown of the DAC is grouped into continents and regions within each continent. In line with the table below, we use DAC data at sub-continental level and aggregate them into three groups which are close to the traditional trans-continental regions defined by the EU for aid management purposes. These classifications will be used to support our study's political impact analysis (table 4) [2].

Table 4. Aid – geographical classifications

Our classification	OECD sub-continental regions
Region A (neighbourhood and candidate countries)	Europe Middle East Africa, North of Sahara
Region B (African, Caribbean and Pacific Group of States)	Africa, regional Africa, South of Sahara Oceania North & Central America
Region C (others)	America, regional South America Asia, regional Far East Asia South & Central Asia Developing countries

In this political assessment, we have also estimated changes in donor rankings with regard to the distance from the 0.7 % ODA/GNI target, and the weight of each donor in the multilateral system.

[1] ODA data in absolute terms have been obtained from the OECD DAC online database on 'Total Flows by Donor' (DAC1), net disbursements, and are expressed in USD at current prices. See https://stats.oecd.org (last accessed on 9 February 2017).
[2] Estimations on ODA breakdowns for each donor are based upon the OECD DAC online data base on 'Flows based on individual projects' (CRS). See https://stats.oecd.org (last accessed 9 February 2017). Since the total amounts in this database do not match the DAC1 database, we apply the percentages obtained for each donor to the total aid amounts obtained from the DAC1 data base in order to consolidate our estimations on changes in global aid distribution by sectors, countries and channels.

Our operational analyses will be supported by a simplified version of the channel breakdown provided in DAC statistics (table 5).

Table 5. Aid – channels classifications

Our classification	OECD channels
Bilateral	Public Sector
Multilateral	Multilateral Organisations
Non-state actors	NGOs & Civil Society Public-Private Partnerships (PPP) Other To be defined

For a broader impact analysis, as with political impact, we also rely on the Elcano Global Presence Index (elaborated by the Elcano Royal Institute) as a tool for measuring the UK and the EU's global presence in the event of Brexit, with particular emphasis on repercussions in the development cooperation variable of such an index.

Global presence can be defined as the extent to which countries are 'out there' and not, therefore, a measure of power or influence at regional or global level. Countries recording high levels of global presence are not necessarily exerting power or leading the global agenda (and, actually, the case of the EU could be a good example for illustrating this difference). However, global presence is linked to those concepts of power or influence: countries with global presence might not necessarily be leading but, in general terms, countries leading regionally or globally do record significant levels of global presence.

Such global presence can be classified in three ways: economic (exports of primary goods, energy, manufactures or services as well as direct investments abroad), military (troops internationally deployed, military capacity for such deployment) and soft (tourism, migration, education, science, culture, sports, technology, information and development cooperation). This Index is updated annually and calculated for 90 countries together with the EU (as if it were a single political union).

2.3 Assumptions

Analysing the eventual implications of Brexit on EU aid policies is very much a forecasting exercise and hence the need to build different scenarios. Moreover, in order to work with a finite number of scenarios, these can be framed in a series of assumptions (table 6).

Table 6. Assumptions of the study

1.	The UK will leave the EU
2.	The EU-28 will keep their financial commitments until 2020
3.	The UK GNI and the GBP remain stable
4.	EU GNI, the euro and other EU currencies remain stable
5.	Aid of the other 27 MS will not be affected by Brexit

2.3.1 Assumption #1: The UK will leave the EU

At the time of writing, PM May had received the support of the Houses of Parliament and is expected to trigger Article 50 TEU before the end of March 2017. There still remains some speculation about the type of control to be exerted by the Houses of Parliament on the UK Government during the negotiations, but the leave decision is now past the point of reconsideration or validation.

Article 50 establishes the mechanism that should be followed by an MS wanting to leave the Union, and relies exclusively on the exiting state's triggering the process. However, EU institutions have been pressing the UK to take the necessary steps to comply with the referendum. Moreover, the political declarations of PM May ('Brexit means Brexit') reinforce the UK's decision to withdraw from the Union. In any case, the aim of our study (to assess the possible impact of Brexit on aid), implies taking this first assumption as read.

2.3.2 Assumption #2: The EU-28 will keep their financial commitments until 2020

Regardless of negotiations between the two parties and the exact timing of Brexit, in the short term the UK's financial commitments with the EU will be maintained under existing arrangements. This probably means that UK aid via EU institutions will continue to be channelled in accordance with the agreement for the Multiannual Financial Framework (MFF) during the 2014-2020 period (Price, 2016).

This assumption is supported by estimations from British Parliamentary lawyers, who consider that at least 2 000 pieces of secondary legislation will be needed to carry out the legal break with the EU. The time needed for such activity would make it very difficult for the UK to achieve an effective departure from the EU before 2020. Moreover, policy interventions have already been launched for the period until 2020, which depend on financial contributions from the UK, equivalent to 12.5 % of total contributions. EU institutions will consequently very likely prefer to discount the UK's involvement with effect from the next programming cycle starting in 2021, especially when such commitments have been formalised in national indicative programmes *vis-à-vis* third countries. Although Brexit could become effective immediately before or after next European Parliament elections in May or June 2019, it is likely, therefore, that financial commitments would be extended a few more months.

In the case of the EDF, where the UK accounts for 15 % of resources, its withdrawal before 2020 cannot be regarded as feasible, because contributions to the ACP-EU cooperation are underpinned by a binding system which includes joint institutions and its own international legal basis, the Cotonou Agreement. This agreement, does not forecast the withdrawal of a party (for instance, an EU MS) as a consequence of its withdrawal from the Treaty on European Union.

This assumption refers not only to the total aid budget, but also to its allocation across countries, sectors and channels. The EU has already implemented financial instruments, thematic programmes and national indicative plans which run until 2020, and we assume that they will not change significantly. This means that even if the UK loses its influence in EU development policy, aid would be re-shaped only with effect from the new programming cycle starting in 2021.

This assumption is an intended simplification of the way aid is committed and disbursed, as the implementation of the multiannual framework usually goes several years beyond its timeline, especially in the case of the EDF, and the difference between multiannual frameworks is, therefore, not clear-cut. This simplification is motivated by the purpose of the study, which is to assess the shape of aid policies in the new political context of an EU-27. Consequently, we do not focus on the possible transitional clauses that might affect a certain amount of EU aid committed during the 2014-2020 period by the EU-28, and implemented in the following programming cycle by the EU-27.

2.3.3 Assumption #3: The UK GNI and the GBP remain stable

Financial markets are usually very sensitive to political changes and so it was in the case of the Brexit referendum, which led to financial turmoil that affected a number of financial and monetary assets linked to the British economy. For the purposes of this study, the performance of two economic variables is particularly relevant: the value of the national currency (the GBP) and the volume of the UK's gross national income (GNI).

National aid commitments in OECD countries are established as a percentage of domestic GNI. Identical aid efforts can lead to very different volumes of aid (denominated in USD, euros or the domestic currencies of partner countries) if there is a simultaneous variation in the local currency (appreciation/depreciation) or the GNI (increase/fall). A number of international organisations regularly update forecasts of national GDPs. Assuming that the UK's GNI will behave similarly to its GDP, we can rely on the International Monetary Fund's (IMF) predictions on UK GDP for 2020 in order to gauge whether or not we should expect strong disruption in the volume of British GNI following Brexit. The IMF has predicted that the British economy will grow by 1.8 % in 2016, followed by a further 1.1 % increase in 2017 and variations of between 1.7 % and 1.9 % in the following years and until 2020. Moreover, this trend is in line with predictions by the European Commission, the United Nations, the OECD and the World Bank. In short, Brexit might not cause a significant variation in British GDP. For simplicity, we also assume, therefore, that British GNI will remain unchanged.

By mid-January 2017, Trading Economics calculations forecast that by 2020 GBP value will be 73.45 % of its current value (decreasing from GBP 1.25 to 0.98 against the US dollar), in line with the recent trend of the value of the British currency. This 27 % loss would certainly affect the financial, operational and even political implications of Brexit for development cooperation. However, there is likely to be a large margin for error in this forecast given the climate of high uncertainty. The future GBP value depends on a great number of unknown factors (a potential trade deal between Trump's US and May's UK or the effective access of British goods and services into the EU market, to cite but two). Given this uncertainty, we maintain GBP value as constant for our calculations of impact in financial, operational and political terms. Moreover, this same source forecasts a similar loss of value for the euro. The balance between these two currencies may, therefore, remain stable.

2.3.4 Assumption #4: The EU GNI, the euro and other EU currencies remain stable

As with the GBP and the UK's GNI, relevant variations in the euro exchange rate and/or the EU GNI would lead to significant fluctuations in the volume of EU aid funds to be channelled to partner countries.

Regarding the euro, Trading Economics predicts a significant loss in value during the next 3 years. At the time of this report, one euro is valued at USD 1.08 and would be traded, according to this source, for USD 0.83 by 2020: a 30 % value loss over the 3-year period. However, we consider that there are too many economic and political uncertainties pending on the future value of both currencies. The Trump Administration has only recently come to power and the details of its economic plans are still to be defined. On the European side, there are upcoming general elections in two key countries which could affect the future of the Union and its currency (both Germany and France). Given this high level of uncertainty, in line with our decision on the GBP we will keep the euro's value constant. This does not mean that we are predicting that the euro will sustain a constant value, but rather that we take this as an exogenous variable in our study.

Some EU MS are not part of the euro zone and their currencies might suffer variations. These variations will be very much in line with those of the euro (as in most of these cases the value of the currency is actually pegged to that of the euro). In any case, applying the same logic as to the GBP and the euro, again for the sake of simplicity we assume that those currencies will continue to record the current value.

Similarly, we also consider that the EU's GNI will remain constant, given that according to predictions economic growth rates will vary between no less than 1 % and no more than 2 % until 2020.

2.3.5 Assumption #5: Aid of the other 27 MS will not be affected by Brexit

There might be a Brexit effect on bilateral aid and non-EU multilateral programmes involving the other 27 MS. On the one hand, some MS could read Brexit as an opportunity to fill the void left by the UK as an outstanding leader in development issues within the EU. If so, these MS would probably increase their bilateral and multilateral aid commitments.

On the other hand, these or other MS, traditionally less involved in development cooperation issues within the EU, could see Brexit as providing an opportunity to reinforce a more nationalistic discourse when it comes to aid and as a result cut their budgets. These different possibilities in regard to the 27 MS' behaviour will be taken into account when analysing the EU's response (in terms of aid budget variations and its international allocation). The EU aid budget is the sum of pre-fixed contributions from each EU MS. Accordingly, as a result of different political behaviours on their part following Brexit, the EU budget itself might be altered. However, bilateral and non-EU multilateral aid from the rest of the 27 MS is not under scrutiny in this study. For the sake of simplicity, such behaviour will be treated as exogenous and we assume, therefore, that non-EU aid from MS will remain unchanged[3].

3 What does Brexit mean for aid?

Having made a number of assumptions on the Brexit process and its overall impact, this study must still consider different options for certain variables which might have different political, financial and operational consequences for aid. For instance, in order to assess the financial impact of Brexit on global aid budgets, in addition to assumptions about future British currency and GNI changes, the study must still consider the variability of the UK's ODA/GNI commitment, which might depend on a new vision of its global role[4].

3.1 The context: UK domestic political situation and perspectives on the Brexit process

Various analyses read the outcome of the Brexit referendum and subsequent political process as symptomatic of a more inward-oriented UK that may lessen the intensity of its international links in all domains. This social and political trend, currently manifesting itself in a number of Western societies (from the US to Poland), is seen by many as having resulted from a poorly managed process of globalisation, which may have resulted in very few winners and a good number of losers among the middle-class in Western countries (a phenomenon that the 2008 crisis exacerbated and the establishment ignored). A recovery in the well-being and status of those losers calls, therefore, for a slowing down of the globalisation process and a reduction of ties with the outside world.

Furthermore, civil society organisations' representatives interviewed in London for this study indicated that the Brexit movement is now targeting the UK's 0.7 % ring-fenced commitment. According to these sources, this campaign not only counts on the same media which campaigned for the leave vote, but also has a similar narrative. It questions the efficiency of ambitious and complex initiatives led by international elites, it makes claims for British money to be returned to Britain, and it denounces an accountability gap created by laws which reduce ordinary control by Westminster (Bush, 2017).

From a different point of view, Brexit would imply a mere rejection of the EU integration process along with its political and institutional mechanisms. The cause of this rejection may lie in the idea that British national interests can be cultivated through close international relations established outside the European sphere and norms. If this is so, the UK might want to demonstrate that it is leaving the EU but not the whole world by intensifying non-European external links. Aid might be among those (Green, 2016).

The idea of an even more global UK and a more liberalised nation is central to May's discourse on Brexit. Indeed, her speech at Lancaster House on 17 January 2017 was made under the slogan 'A Global Britain'.

[3] For more details on this issue, see Anderson and Mitchell (2016b).
[4] As per table 2, expressed in constant prices, such contributions account for over USD 2 billion yearly and represent in 2015 15.28 % of all Member Sates contributions. In the following tables, expressed in current prices, we use this percentage to estimate the EU aid budget resulting from the withdrawal of UK contributions to EU budgets.

As borne out in our interviews, these kinds of messages from the Cabinet have been interpreted as an indication of continued involvement in global issues by most British civil servants, who still consider as valid the UK's political guidelines on aid issued by the government in recent years.

Many of the questions about the impact of Brexit on aid relate to the close connection through EU institutional architecture of aid budgets in the UK, the second largest donor, and the European Commission, the third largest donor. However, as the EU does not have a common development policy, these connections are rather soft, because they depend upon voluntary coordination activities. This means that those connections can also exist after Brexit and indeed they already exist between the EU institutions and other European states such as Switzerland and Norway. These are European Free Trade Association (EFTA) countries which are part of the single market and collaborate closely with the EU in many policy areas.

The UK is very unlikely to become an EFTA country, as this would entail the acceptance of conditions rejected by the Brexit campaign (large economic contributions, authority of the European Court of Justice, and free movement of people), but there might still be different degrees of economic integration supported by different institutional architectures. Furthermore, PM May has given assurances that although Britain will leave the EU's single market, the greatest possible access will be sought through an ambitious free trade agreement having certain elements in common with a single market agreement. She has also advocated a strategic partnership between the EU and the UK, but at the same time declared that the possibility of leaving the Union without a deal on how to trade and cooperate after Brexit must also be considered.

3.2 Variables of the study

3.2.1 Variable #1: UK aid budget

A reduction in the UK's commitment to devote 0.7 % of GNI to international aid could be driven by a more inward-looking agenda resulting from both a revised political vision of the UK's global role and also the need to cater for new social and economic needs arising from the negative economic consequences of Brexit (Barder, 2016; Nazeer, 2016; Chonghaile, 2016). As explained earlier, according to privileged observers of UK politics, the 0.7 % commitment is currently under attack from the same media which actively supported the Brexit campaign.

However, UK aid effort is a legally binding commitment that can be modified only by a major political agreement and this at the moment is not even under discussion in the main political parties. Furthermore, PM May's declarations have confirmed Britain's commitment to global development (Green, 2016; Sharma, 2016). In other words, the most reasonable option for the UK is to maintain its ODA/GNI ratio at 0.7 %, no matter how it channels the funds which formerly went through EU institutions.

This dichotomous variable can manifest itself in two distinct values: a zero variation with respect to the current aid budget or alternatively a cut if the political consensus on the aid effort breaks in the short or medium term.

In the latter case, the exact volume of an aid cut is impossible to predict, for obvious reasons. However, we can assume that this would be very much in line with similar reductions recorded in the aid effort of other EU MS that are also members of the DAC. Such cuts were made as a result of the Great Recession and/or in accordance with a change in the domestic political landscape (with incoming governments less keen on public spending being used for global issues). These two trends (alone or combined) have led to different aid records for EU MS since 2010. According to OECD figures, during the 2010-2015 period Austria, Poland, the Slovak Republic and Slovenia maintained or slightly increased their net ODA spending by between 8 % and 17 % (measured in current USD). In addition, a small group of important donors (Germany, Italy, Sweden and the UK) contributed to EU aid with large increases of no less than 33 % and a maximum 56 % recorded by Sweden. These increases coexisted with cuts in other 12 DAC and EU MS donors including Belgium, the Czech Republic, Denmark, Finland, France, Greece, Ireland, Luxembourg, the Netherlands, Portugal and Spain. The magnitude of such reductions, during that period, varies greatly from country to country. For instance, while Finnish aid was reduced by only 3.4 % over those 5 years, Spain made a record 76.5 % cut during the same period. On average, these 12 countries decreased ODA by 28.62 % between 2010 and 2015. For simplicity, we assume therefore that in the event of Britain reducing its ODA commitments this could produce an overall decrease of 30 %.

3.2.2 Variable #2: UK aid allocation

The geographical allocation of British aid formerly distributed by EU institutions (almost USD two billion) could follow three different patterns all of which would have a significant impact on distribution to the countries targeted in its overall aid programme. It could follow an EU-like pattern of allocation, it could respond to UK's historical priorities, or it could follow a new distribution pattern influenced by the political consequences of Brexit[5].

Although counterintuitive, the first option of an EU-like allocation is defended by UK policy makers and analysts as a way of keeping the UK's influence in countries where it does not have a bilateral programme. The easiest way to do this would be to keep its contributions to EU aid through extra budgetary procedures, but other multilateral options could be considered if that is the choice. Indeed, the recently published British review of multilateral aid opens the door to this possibility (DFID, 2016a).

The second option, allocating aid in accordance with previous distribution of bilateral flows, seems more consistent with exiting from the EU and gaining control of policy decisions. Nevertheless, decisions on aid allocation exclusively taken by the UK government might differ from those prior to Brexit, despite what was stated in the recent British review of bilateral aid (DFID, 2016b).

The current Development Secretary and, therefore, head of the Department for International Development (DFID), Priti Patel, has declared on several occasions that the aid rationale should be more closely linked to the pursuit of domestic interests (and, more specifically, to international trade opportunities). This idea was formally stated in the previous UK Aid Strategy (HM Treasury and DFID, 2015), re-emphasised in the current plan (DFID, 2017), and has already materialised in an increase in the aid budget managed by departments other than the DFID, namely: the Department for Business, Energy and Industrial Strategy (BEIS) and the Foreign and Commonwealth Office (FCO).

As a consequence of this new political vision on the UK's global development role, the British Administration could alter its current pattern of bilateral aid allocation. Funds might be redistributed, diverting aid from least developed countries (LDCs) with high rates of poverty as well as weak economic connections to the UK and increasing aid to Commonwealth and middle-income countries (MICs) with historic and/or economic ties with the UK (Te Velde *et al*., 2016)[6]. This idea is already incorporated in a government speech on 'truly Global Britain', which looks at UK international links beyond Europe, and sees the Commonwealth as the UK's genuine, unique network of global relationships.

Similarly to aid channels, sector distribution of British aid may stay the same or, alternatively, may change after Brexit. Given the political statements on the usefulness of aid, if redistribution is applied, it would more than likely be to reinforce the economic infrastructure rather than the social infrastructure and humanitarian aid, which would consequently be negatively affected.

[5] For a debate on the options for UK aid formerly channelled via EU institutions, see Mitchell and Anderson (2016).
[6] Or, funds could even be diverted to East European countries, if the UK searches for allies during the Brexit process (Farand, 2017). However, we consider this possibility to be remote as it is not included in the recently launched new British aid strategy.

Regardless of sector and country, aid funds can be channelled bilaterally, multilaterally or via private actors, mainly NGOs. Post-Brexit, the UK's ODA may stick to the current arrangements for each of these channels or specifically seek to reinforce just one. Increasing the bilateral channel would be an option if the UK's priority were to set up new trade agreements across the world, while the existing priority given to the multilateral channel would be the best way to keep its global commitment. Even if the UK discards EU instruments as a multilateral option, this budget could be channelled via other multilateral institutions where the UK might seek to have a stronger influence, such as the World Bank.

For producing data on alternative patterns of aid allocation, we are assuming that the share of British aid subject to re-allocation would be limited to the amount formerly channelled through EU institutions. This geographical and sector re-definition of British aid could, of course, be extended beyond the volume of aid formerly channelled through EU institutions and affect a wider share or all UK aid. However, it should be noted, firstly, that this study is coping with the effects of Brexit on EU aid. In this sense, an extension of such a reallocation to a wider share of the budget might affect the UK's role as a donor, but not that of the EU. Secondly, it should be borne in mind that, although the recently released new strategy for British aid emphasises the need to strengthen the links with countries fulfilling British trade interests, bringing about such a change could take a while, due to path dependency reasons but also to the many commitments already fulfilled under different aid patterns.

We foresee three possible patterns. The first, European-like pattern would follow the current sector and geographical distribution among bilateral and multilateral channels, leaving them unchanged. The second, globalist pattern would see funds formerly channelled via EU institutions directed via other multilateral institutions. Bilateral/multilateral proportions would, therefore, remain constant with the geographical and sector allocation corresponding to that of the British multilateral aid distribution. Aid could also follow a third, realist pattern where aid formerly channelled via EU institutions would contribute entirely to British bilateral programmes. Geographical allocation would be that of British bilateral aid and sector allocation (for the share formerly allocated through EU tools), being entirely devoted to economic infrastructures.

3.2.3 Variable #3: UK willingness to collaborate with the EU in development

We could assume that 'Brexit means Brexit' in all policy areas and that the UK will manage its aid autonomously, or under the umbrella of other multilateral organisations such as the World Bank. Time invested in European donor coordination could be devoted to setting new collaborative relations with non-European English-speaking donors, in line with PM May's strategy of reinforcing the UK's unique and proud links with countries beyond Europe.

However, our interviews in London and Brussels reveal that at this point close collaboration and even joint action in development policy after Brexit cannot be discarded. Furthermore, the UK has an interest in preserving its position within EU development policy for several reasons.

Firstly, UK policy makers are persuaded that they have shaped the EU development policy according to their own goals and principles. For instance, they consider themselves determinant actors in allocating EU aid to LDCs, raising awareness on gender issues, and introducing transparency as well as result orientation in aid management. They see the EU as catalyser of their own aid.

Secondly, while UK bilateral aid concentrates in countries with important historical links to Britain (e.g. Eastern Africa), participation in EU aid also allows its diplomats to present themselves as relevant donors in other countries (e.g. Western Africa). For the DFID, it would not seem feasible to deploy as many bilateral programmes as the EU Commission.

Thirdly, the UK sees an opportunity in the post-Cotonou discussions to put in place more flexible instruments in order to facilitate its financial contribution to EU aid following Brexit. The current proliferation of EU trust funds under organisation schemes opened to non-Member States could inspire reform of the EDF, and transform it into a flexible structure of regional or thematic-based funds. This would allow the UK to maintain not only its financial contributions, but also its influence, and it would also be aligned to its recently adopted multilateral aid strategy.

This third variable could, therefore, lead to two distinct types of behaviour: either there is no collaboration at all, with funds formerly channelled via EU institutions being entirely internalised by British aid, or there is room for collaboration. In this latter case, it is most probable that collaboration would not affect the entire former British contributions to EU aid. We assume, therefore, that this collaboration would involve 50 % of British funds previously channelled via the EU.

Table 7. Variables of the study

Variables	Behaviour
1. UK aid budget	- Same budget - 30 % reduction
2. British aid allocation (only applying to aid formerly channelled via EU institutions)	- European-like pattern ▪ Same channel distribution ▪ Same geographical distribution ▪ Same sector distribution - Globalist pattern ▪ Channel distribution following British pattern of multilateral aid (except EU institutions) ▪ Geographical distribution, accordingly ▪ Sector distribution, accordingly - Realist pattern ▪ Channel distribution following British pattern of bilateral aid ▪ Geographical distribution, accordingly ▪ Sector distribution, economic infrastructures only
3. British willingness to collaborate with the EU in development (only applying to aid formerly channelled via EU institutions)	- No collaboration (0 % of aid channelled via EU institutions) - Collaboration (50 % of aid formerly channelled via EU institutions are channelled via EU institutions in the post-Brexit phase)

4 Post-Brexit scenarios

In this section, we reflect on how the variables affecting UK aid can behave in a consistent way. We use the term scenarios to refer to each likely and internally consistent set of values for the variables described in section 3, which are under the UK's control. In the following sections, we will reflect on their impact and on the different EU policy choices resulting from each scenario.

Brexit has created a critical juncture at which the current political bases of the UK have been brought into question. The UK is to exit from the EU, and accordingly its politicians are being called upon to introduce major changes in all the policy areas integrated within or connected to the EU's institutions. Politics, therefore, determine the consistency of the scenarios described below.

4.1 Scenario #1: Nationalist UK

The Brexit referendum might lead to a more inward-oriented UK and against an active involvement in international institutions. That would affect its involvement with the EU, of course, but also development cooperation initiatives. Under this scenario, the UK would reduce its foreign action profile in favour of one reflecting domestic interests.

This approach would lead to less money for aid (30 % reduction, following variable number 1). As for the country/sector/tool distribution, this would be guided by the UK's need to compensate for its withdrawal from the EU common market by reinforcing commercial relations with emerging economies. That is, variable number 2 would behave in accordance with the realist pattern and consequently there would be no collaboration with the EU in the development arena (third variable).

Although qualified informers from English civil society organisations and think tanks are concerned about this possibility, we consider that supporters of the so-called nationalist approach are still in a minority (at least short term), and we regard this, therefore, as the least likely scenario.

Table 8. The nationalist choice and its impact on British aid

1. UK aid budget	30 % reduction
2. British aid allocation	Realist pattern ▪ Channel distribution following British pattern of bilateral aid ▪ Geographical distribution, accordingly ▪ Sector distribution, economic infrastructures only
3. British willingness to collaborate with the EU in development	No collaboration

4.2 Scenario #2: Realist UK

The Brexit referendum might cause some British politicians to refocus on domestic interests, but its current government considers that it is in the UK's best interests to set up new economic and political alliances beyond Europe. This might consist in reactivating the Commonwealth for commercial purposes, establishing new trade agreements with emerging economies or both. The recent move of the May cabinet towards a hard Brexit and her declarations on how to cope with it reinforces the likelihood of this scenario.

Accordingly, the UK's diplomacy and international cooperation would be as important as it is now, and its government would send a signal to the world about its ambitions in international affairs by maintaining the present 0.7 % commitment (variable 1 behaves with no variations in the aid budget). However, trade would shape the way external policies, including aid, are implemented. In other words, the patterns of British aid allocation would be altered. In the short term (from 2021 onwards), this would mean that UK contributions to European aid instruments would be reallocated (variable 3 records no collaboration with the EU) to bilateral aid programmes focused on economic sectors and infrastructures, and framed under commercial agreements (a realist pattern for variable 2).

Table 9. The realist choice and its impact on British aid

1. UK aid budget	Same budget
2. British aid allocation	Realist pattern ▪ Channel distribution following British pattern of bilateral aid ▪ Geographical distribution, accordingly ▪ Sector distribution, economic infrastructures only
3. British willingness to collaborate with the EU in development	No collaboration

4.3 Scenario #3: Cosmopolitan UK

If Brexit implies mere rejection of the EU integration process and, therefore, departure from the EU (and not the whole world), the UK might place stronger emphasis on preserving or even reinforcing its global commitments. Accordingly, it would seem reasonable not to put in danger strategic partnerships and the UK could, therefore, opt for Europe as its number one ally. In this case, the lack of alternatives in current world politics might be determinant.

On the commercial front, there are strong incentives for both the UK and the EU to maintain a high degree of collaboration, or even integration. So, a pro-European political strategy would converge with a soft Brexit in commercial terms.

While the second scenario seems the most straightforward for May in light of her speech on 17 January 2017, some of its elements might also connect with this third scenario: the truly Global Britain slogan; references to European values; an explicit desire to maintain elements of cooperation, and even financial contributions.

In this cosmopolitan scenario, the UK would not revisit its legal commitment to the 0.7 % target (variable 1). The current patterns of British aid distribution, which are aligned to internationally agreed agendas on development and aid effectiveness, would also remain the same, consistent with the country's global commitment. This could lead the UK to preserve its commitments with European aid programmes, but would very likely lead to diverting funds away from EU institutions towards other multilateral organisations, consequently revising sector and geographical allocations (variable 2). We assume that this reallocation could affect up to 50 % of the British aid currently channelled via EU institutions.

In line with this scenario, development policy would certainly be one of the 'elements of cooperation' raised by the UK during Brexit negotiations. Its proposal could consist in keeping its financial contributions to EU aid instruments, and in return establishing an influential position within EU institutional architecture. This would reduce to a minimum the impact of Brexit on aid, both in terms of volume and allocation.

Table 10. The cosmopolitan choice and its impact on British aid

1. UK aid budget	Same budget
2. British aid allocation	- European-like pattern (50 % of aid) ▪ Same channel distribution ▪ Same geographical distribution ▪ Same sector distribution - Globalist pattern (50 % of aid) ▪ Channel distribution following British pattern of multilateral aid (except EU institutions) ▪ Geographical distribution, accordingly ▪ Sector distribution, accordingly
3. British willingness to collaborate with the EU in development	Collaboration (50 % of aid formerly channelled via EU institutions channelled via EU institutions in the post-Brexit phase)

In table 11, we summarise the three scenarios and show their internal consistency considering the three variables described in section 3.

Table 11. Three scenarios for post-Brexit UK aid

	Scenario 1 Nationalist UK	**Scenario 2 Realist UK**	**Scenario 3 Cosmopolitan UK**
1. UK aid budget	- 30 %	Same	Same
2. British aid allocation	Realist pattern ▪ Channel distribution following British pattern of bilateral aid ▪ Geographical distribution, accordingly ▪ Sector distribution, economic infrastructures only	Realist pattern ▪ Channel distribution following British pattern of bilateral aid ▪ Geographical distribution, accordingly ▪ Sector distribution, economic infrastructures only	European-like pattern (50 % of aid) ▪ Same channel distribution ▪ Same geographical distribution ▪ Same sector distribution Globalist pattern (50 % of aid) ▪ Channel distribution following British pattern of multilateral aid (except EU institutions) ▪ Geographical distribution, accordingly ▪ Sector distribution, accordingly
3. British willingness to collaborate with the EU in development	No collaboration	No collaboration	Collaboration (50 % of aid formerly channelled via EU institutions channelled via EU institutions in the post-Brexit phase)

5 Brexit impact on aid

In this section, by using OECD statistics on aid, we show how the different scenarios on Brexit would impact global development finance. Our estimates do not take into account possible EU reactions to Brexit (those will be examined in the following section), but do include the result of UK contributions being withdrawn from each budget together with corresponding changes in volume and channels for UK aid, depending on the three scenarios described above.

5.1 Financial impact

We consider Brexit's financial impact to be the effect on total aid funds (in absolute terms) of the UK leaving the EU channelled by each of the stakeholders defined in section 2: (1) the UK; (2) EU institutions; (3) other EU MS; and (4) others, in this case including additional DAC and non-DAC donors. In short, our aim is to find out how much aid would be committed by each stakeholder under the different scenarios described in the previous section and what variation this would imply (with regard to current disbursements)[7].

Assuming that macroeconomic variables remain stable (see assumptions 3 and 4), the UK's withdrawal from the EU would have a negative financial impact on global aid only in the scenario of a nationalist UK (first scenario). In that case, the 0.7 % ring-fenced commitment would be abolished, as the next step, following the British referendum, in a sequence of political actions aimed at dismantling international achievements. We estimate that the UK would reduce its aid programmes by 30 %, which, as mentioned before, is the average reduction registered in those EU MS that are also DAC member countries and where aid budgets decreased after the financial crisis in 2008.

A 30 % reduction in British aid budgets (which account for 10 % of all DAC and non-DAC member countries) would imply a financial impact of -3 % on global aid. Under the other two scenarios (realist and cosmopolitan), the UK would maintains its 0.7 % commitment and Brexit would, therefore, mean only an adjustment between EU and UK aid budgets (table 12).

Table 12. The financial impact of Brexit

(net disbursements of 2015 ODA flows in millions of US current dollars)

Donor	Pre-Brexit	Post-Brexit *		
		Nationalist UK	Realist UK	Cosmopolitan UK
United Kingdom	16 385	12 932	18 474	17 430
EU institutions	13 670	11 581	11 581	12 625
Other EU MS	62 572	62 572	62 572	62 572
Other DAC	50 316	50 316	50 316	50 316
Other non-DAC	17 657	17 657	17 657	17 657
Total	**160 600**	**155 058**	**160 600**	**160 600**
Variation		***-3 %***	***0 %***	***0 %***

* Our estimates for each scenario based on 2015 data and assumptions

Source: https://stats.oecd.org (DAC1); last accessed 9 February 2017.

[7] Although the purpose of this study is to assess Brexit's impact on EU development aid, it is very relevant for the EU to consider the total amount of aid dedicated to development goals on a global scale.

If we focus exclusively on EU institutions' aid, the negative impact of Brexit would obviously be more likely and much higher. The UK makes an annual contribution of USD two billion, around 15 % of the total EU budget. This is the third largest contribution, following those from Germany and France, and its loss could have a significant impact on EU capacities throughout the world. In a 'hard Brexit' scenario with the UK concentrated on setting up new international alliances (realist UK scenario), these funds would be kept by the UK. Were the UK to adopt a cosmopolitan approach to international relations (scenario 3), development would be one of those policy areas for which Theresa May foresees some sort of collaboration and financial contribution. Since such collaboration would be voluntary, entailing specific negotiations and agreements, we cannot assume that the corresponding contributions would be as high as USD two billion. As explained previously, we have assumed in the above calculations that the UK and the EU could reach co-financing agreements for half of the current contribution, while the other half would be re-integrated into the UK's own aid programme.

5.2 Political impact

Development cooperation is a tool for fighting global poverty and preserving global public goods. It is also one of the different ways in which countries can project themselves outside their own boundaries. These types of projections can be assessed by means of the Elcano Global Presence Index (see section 2 for more details).

This Index is calculated for 90 countries and also estimated for the EU as if it were a single country by adding the global presence of each MS and subtracting their intra-EU presence. According to data for 2015, if the EU-28 were regarded as a single country it would top the global presence index with a value of 1 255 points while the US would occupy second position, with 1 023 points. This position is testament to the outstanding international standing created by aggregating EU MS in a series of economic domains such as: exports and primary goods, services and investments as well as a primary role in the soft realm (tourism, sports, science and especially development cooperation). The EU tops the ranking of presence in development cooperation (measured with gross ODA or equivalent disbursements from non-DAC countries) with 2 764 points in 2015; more than twice the index value recorded by the second placed country, the US, which in the same year recorded 1 142 points.

The Brexit process could also reshape the global presence map. On the one hand, the UK's exit would have a significant impact on the EU's global presence volume and its nature (for more on this issue, see Olivié and Gracia, 2016) and, on the other hand, the global presence of the UK would be altered. As for the latter, the extent of Brexit on the UK's global presence would depend, as in other fields, on the exact value of GBP by the time the Brexit process has been concluded together with the impact of different negotiations with the EU and other global players (such as the US) on, for instance, trade or migration deals. However, here again we can assume the other 15 variables of the Index to be exogenous and calculate the global presence of the UK under the three different scenarios described for development cooperation.

The Elcano Global Presence Index reflects only the volume of aid and its shape (international, sector or tool distribution). The global presence value of the UK under scenarios 2 (realist UK) and 3 (cosmopolitan UK) would, therefore, be the same as is currently recorded. At the moment the UK ranks second in this index, very much in line with its position in the net ODA donors ranking (see the introduction). However, in scenario 1 (nationalist UK), with a 30 % cut in ODA spending, the UK's presence in development cooperation would decrease substantially. More precisely, if such ODA cuts happened today and were applied to 2015 index values, the UK's presence in development cooperation would go down from 672 points to 470. Accordingly, its ranking would fall to fourth, behind the US (1), Germany (2) and Japan (3).

However, the UK's second position in the soft presence ranking would not be challenged, despite a decrease of 20 points (from 550 to 530 in the event of aid cuts). Lastly, effects on the UK's global presence would be even less, in that the UK's current fourth position would be maintained, although with some loss in index value, from 404 points to 396. It must be underlined, though, that for such calculations the remaining global presence variables (trade, investment, tourism, migration, etc.) are kept constant despite them certainly being affected by Brexit: the overall impact on global presence could, therefore, be higher.

In this study, the political impact of Brexit refers to the influence or reputation of a country or a union, as a donor. Besides global presence, some features and distributions of international aid can partly reflect that influence and/or reputation. These are: (1) the share of global aid disbursed by countries or unions; (2) countries and unions positions in donor rankings (by volume of disbursements); (3) their participation in the multilateral system; (4) their relative effort, measured by aid as a proportion of economic size; and (5) the scope of their presence, through ODA, in different regions.

As for the share of EU institutions and the remaining MS in global aid, this would obviously vary due to the loss of the UK as a major contributor. This would happen under all scenarios, though with different levels of intensity (table 13); this signifies an important political impact as the EU as a whole is currently providing more than half of all global aid, a point often mentioned in EU institutions' discourse.

Table 13. Countries and institutions' shares of global ODA

(net disbursements of 2015 ODA flows in millions of US current dollars)

		Post-Brexit *		
Donor	**Pre-Brexit**	**Nationalist UK**	**Realist UK**	**Cosmopolitan UK**
United Kingdom	16 385	12 932	18 474	17 430
EU institutions and MS	94 787	74 153	74 153	75 197
EU institutions	13 670	11 581	11 581	12 625
Other EU MS	62 572	62 572	62 572	62 572
Total ODA	**160 600**	**155 058**	**160 600**	**160 600**
EU share	58 %	48 %	46 %	47 %
Variation		***-10 %***	***-12 %***	***-11 %***

* Our estimates for each scenario based on 2015 data and assumptions
Source: https://stats.oecd.org (DAC1); last accessed 9 February 2017.

When looking at each EU MS and the EU institutions separately, changes are not so visible. As with global presence in development cooperation, only if the UK were to reduce its budget by 30 % as a result of Brexit (that is, the nationalist scenario), could Germany rank second. However, EU institutions would maintain their current fourth position (table 14).

Table 14. Countries and institutions' ranking of global ODA

(net disbursements of 2015 ODA flows in millions of US current dollars)

			Post-Brexit *				
	Pre-Brexit		**Nationalist UK**		**Realist UK**		**Cosmopolitan UK**
1.	United States	**1.**	United States	**1.**	United States	**1.**	United States
2.	United Kingdom	**2.**	Germany	**2.**	United Kingdom	**2.**	United Kingdom
3.	Germany	**3.**	United Kingdom	**3.**	Germany	**3.**	Germany
4.	EU institutions	**4.**	EU institutions	**4.**	EU institutions	**4.**	EU institutions
5.	Japan	**5.**	Japan	**5.**	Japan	**5.**	Japan

* Our estimates for each scenario based on 2015 data and assumptions
Source: https://stats.oecd.org (DAC1); last accessed 9 February 2017.

The EU's influence in the UN system and other multilateral initiatives might also diminish, as its participation in multilateral ODA will decrease between 12 % and 9 %, depending on the scenario (table 15).

Table 15. Countries and institutions' share in the multilateral system
(share of net disbursements of 2015 ODA flows channelled through multilateral institutions, in millions of US current dollars, over total multilateral aid)

		Post-Brexit *		
Donor	**Pre-Brexit**	**Nationalist UK**	**Realist UK**	**Cosmopolitan UK**
United Kingdom	10 %	8 %	10 %	13 %
EU institutions	8 %	7 %	6 %	7 %
Other EU MS	43 %	45 %	44 %	42 %
All the EU	61 %	52 %	50 %	49 %

* Our estimates for each scenario based on 2015 data and assumptions
Source: https://stats.oecd.org (DAC1); last accessed 9 February 2017.

Currently, the UK is the largest country effectively complying with the 0.7 % commitment. Other European countries do reach this target, but their smaller size implies a smaller disbursement in absolute terms. The UK's weight in EU-28 is limited to 15 %. Under the different scenarios, the final impact of Brexit on the aggregated ODA/GNI commitment would, therefore, not be so significant. However, this would mean a backward step in progress towards an international goal set out 50 years ago and periodically renewed by the UN (table 16).

Table 16. Countries and institutions' commitment to ODA
(net disbursements of 2015 ODA flows, in millions of US current dollars, over gross national income)

		Post-Brexit *		
Donor	**Pre-Brexit**	**Nationalist UK**	**Realist UK**	**Cosmopolitan UK**
United Kingdom [1]	0.7 %	0.5 %	0.7 %	0.7 %
EU [1]	0.44 %	0.43 %	0.43 %	0.44 %
DAC (average) [2]	0.3 %	0.3 %	0.3 %	0.3 %

[1] As per GNI figures used by the OECD to calculate ODA/GNI ratios by country.
Source: OECD donor profiles http://www.oecd.org/dac/dacmembers.htm (last accessed on 9 February 2017).
[2] Source: OECD, overview on aid by all DAC members
https://public.tableau.com/views/AidAtAGlance/DACmembers?:embed=y&:display_count=no?&:showVizHome=no#1
(last accessed on 9 February 2017).

The political impact on aid can also be analysed on a regional basis to understand how changes in aid might alter political influence. Such analysis shows that the region in greatest danger of losing aid income is the region of highest interest for the EU according to its global strategy (European Commission, 2016), namely the EU's Southern and Eastern neighbourhood. This would result from the UK's not following the EU pattern of allocation which prioritises this region despite its relatively higher level of development when reallocating its current contribution to EU aid budget. However, if part of the UK contribution formerly channelled via EU institutions were still channelled through those same institutions after Brexit (scenario 3, cosmopolitan UK), the reduction of funding to that region would obviously not be so significant (table 17).

Table 17. Countries and institutions' disbursements of ODA (all donors), by partner regions
(net disbursements of 2015 ODA flows, in millions of US current dollars)

Recipient region	Pre-Brexit	Post-Brexit*		
		Nationalist UK	Realist UK	Cosmopolitan UK
Region A. Europe, MENA	28 606	27 348	27 914	28 380
Variation		*-4 %*	*-2 %*	*-1 %*
United Kingdom	1 886	1 321	1 886	2 007
EU institutions	4 526	3 835	3 835	4 181
Other EU MS	12 454	12 454	12 454	12 454
EU institutions and MS (USD)	18 867	16 289	16 289	16 635
EU institutions and MS (%)	66 %	65 %	65 %	66 %
Other DAC	5 881	5 881	5 881	5 881
Other non-DAC	3 857	3 857	3 857	3 857
Region B, South of Sahara, Africa, Oceania, North & Central America	63 465	61 467	63 810	63 547
Variation		*-3 %*	*1 %*	*0 %*
United Kingdom	6 766	5 468	7 811	7 198
EU institutions	4 582	3 881	3 881	4 232
Other EU MS	23 057	23 057	23 057	23 057
EU institutions and MS (USD)	34 405	26 939	26 939	27 289
EU institutions and MS (%)	54 %	53 %	54 %	54 %
Other DAC	20 024	20 024	20 024	20 024
Other non-DAC	9 036	9 036	9 036	9 036
Region C, Other Developing countries	68 529	66 244	68 877	68 674
Variation		*-3 %*	*1 %*	*0 %*
United Kingdom	7 733	6 144	8 777	8 225
EU institutions	4 562	3 865	3 865	4 213
Other EU MS	27 061	27 061	27 061	27 061
EU institutions and MS (USD)	39 355	30 925	30 925	31 274
EU institutions and MS (%)	57 %	56 %	58 %	58 %
Other DAC	24 411	24 411	24 411	24 411
Other non-DAC	4 764	4 764	4 764	4 764
Total aid	**160 600**	**155 058**	**160 600**	**160 600**

* Our estimates for each scenario based on 2015 data and assumptions
Source: https://stats.oecd.org (DAC1); last accessed 9 February 2017.

5.3 Operational impact

We have defined the operational impact as the changes in organisational and managerial aspects of aid that would result from the UK's exiting the EU. For assessment from a broad perspective, we first look at how adjustment of aid budgets in the EU and the UK might influence the funding managed by the different implementing actors within the international cooperation system. This is to do with how the bilateral/multilateral/NGOs proportions in delivering aid would be altered under the different scenarios set for the post-Brexit UK.

Following DAC classification, we differentiate among recipient countries' governments (bilateral channel); the UN system and other multilateral bodies (multilateral channel); and non-state actors, mainly development and humanitarian NGOs (table 18).

Table 18. Countries and institutions' disbursements of ODA, by channels
(net disbursements of 2015 ODA flows, in millions of US current dollars)

Channel / donor	Pre-Brexit	Post-Brexit*		
		Nationalist UK	Realist UK	Cosmopolitan UK
Bilateral	65 359	64 496	66 420	64 845
Variation		*-1 %*	*2 %*	*-1 %*
United Kingdom	4 325	4 490	6 414	4 325
EU institutions	6 726	5 698	5 698	6 212
Other EU MS	23 941	23 941	23 941	23 941
Other DAC	17 504	17 504	17 504	17 504
Other non-DAC	12 863	12 863	12 863	12 863
Multilateral	37 090	35 515	36 661	37 920
Variation		*-4 %*	*-1 %*	*2 %*
United Kingdom	3 820	2 674	3 820	4 864
EU institutions	2 804	2 376	2 376	2 590
Other EU MS	16 026	16 026	16 026	16 026
Other DAC	14 439	14 439	14 439	14 439
Other non-DAC	0	0	0	0
Non-state actors	58 152	55 047	57 520	57 836
Variation		*-5 %*	*-1 %*	*-1 %*
United Kingdom	8 241	5 769	8 241	8 241
EU institutions	4 139	3 506	3 506	3 823
Other EU MS	22 605	22 605	22 605	22 605
Other DAC	18 374	18 374	18 374	18 374
Other non-DAC	4 794	4 794	4 794	4 794
Total aid	**160 600**	**155 058**	**160 600**	**160 600**

* Our estimates for each scenario based on 2015 data and assumptions
Source: https://stats.oecd.org (DAC1); last accessed 9 February 2017.

Non-state actors, a category that includes traditional development and humanitarian NGOs, would be negatively affected by Brexit, regardless of the scenario. If UK aid funds formerly channelled through EU institutions and re-internalised in the post-Brexit phase, were to be reinvested in development, bilateral channelling would apply. This would follow from the UK's linking aid to trade agreements as a result of its need to set up new economic alliances (scenario 2, a realist UK). Alternatively, in the case of a globalist UK (scenario 3) 50 % of such funds would be reallocated to the multilateral system, compensating for the loss of British influence in the EU by reinforcing its participation in other international organisations, such as the World Bank.

It is also remarkable that British NGOs would no longer be able to take part in European calls for proposals except for specific initiatives co-funded by both donors under the third scenario. However, this would not have a significant effect on the EU's operational capacities, as explained below.

In the humanitarian sector, NGOs' eligibility for the signature of a Framework Partnership Agreement (FPA) with the Directorate-General for European Civil Protection and Humanitarian Aid Operations (ECHO) is a pre-condition for receiving EU humanitarian aid funds. To qualify, they must be registered for at least three years in a Member State of the European Union under the laws in force in that Member State, in the European Economic Area, or be recognised in an EU Member State through the Council of Europe Convention No. 124 of 24 April 1986, according to Articles 7.1 (a) and 7.2 (c) of Council Regulation (EC) No 1257/96 of 20 June 1996 concerning humanitarian aid. Furthermore, their main headquarters, understood as the effective decision-making centre for all operations that might be financed by the Commission, are expected to be in a Member State of the European Union or in the European Economic Area. According to the ECHO webpage, 30 out 197 non-governmental partners of ECHO are based in the UK, but many of those 30 British NGOs belong to international networks with an establishment in other Member States, which, in some cases, are also signatories of FPAs with ECHO. In those cases, ECHO will be able to mobilise the capacities of those networks, although the dialogue with the European Commission and the management fees will obviously be maintained by an EU network member. In other cases, NGOs not currently established in other EU countries might consider doing so by the time Brexit is effective.

In the case of development projects, the loss of EU operational capacities as a result of the non-eligibility of British civil society organisations is even less relevant, as the EC is increasingly prioritising local NGOs in order to reinforce partner countries as it intends to strengthen their roles in democratic processes and accountability systems (EC, 2012).

6 Policy options for the EU

Following Brexit, the EU could possibly take on a more introspective attitude, reducing its focus on global issues and development goals.

However, in line with the EU's global strategy (European Commission, 2016) presented to the European Council immediately after the British referendum, domestic and international issues are more strongly interlinked than ever. The strategy preamble interprets the UK's referendum together with increasing instability in the neighbourhood as a call for greater union in regard to foreign issues.

The strategy proposes a 'strong Union like never before', a vision that calls for increased integration in external action and a clearer recognition of the EU as a global player. Yet again, one element that makes the EU a global player is precisely its commitment to development.

So, it can be understood that implementation of this strategy would entail preserving its commitment to global development, while at the same time reinforcing its support to more resilient states and societies in its extended neighbourhood, an area that would include Eastern Europe, the MENA countries and Northern South-Saharan countries. However, when it comes to budgetary decisions, if the Multiannual Financial

Framework is unaffected, and given the likely loss of aid as a consequence of Brexit, it would be impossible to maintain both priorities. The EU would have to opt for reinforcing its regional power by reducing its commitment to global development issues, or increasing its aid budget, at least to an amount that compensates for the loss of UK contributions in each of the three post Brexit scenarios.

In this section, we present the different policy options for the EU in development and humanitarian issues after Brexit, in light of these alternative political visions. We also reflect on which would be the better choice given the assumptions set out in section 2 and considering the different scenarios drafted in section 4. Must the EU-27 increase its ODA effort? Should the patterns of distribution for EU aid be altered after Brexit? Is it in the EU's best interests to keep a close collaboration with the UK on development issues after Brexit?

As in the analysis of the post-Brexit scenarios (section 4), we will present different policy options, with a view to the EU's international projection.

6.1 Should the EU-27 increase its ODA effort and compensate for the withdrawal of UK contributions?

A possible reaction by the EU-27 to the financial impact of Brexit on aid could be no reaction at all. In other words, it could simply reduce the value of aid in line with the UK's withdrawal of contributions to the EU budget and the EDF.

If the EU were concerned about its global role, a second option would be to send a signal to the rest of the world by compensating for the loss of British funds with a stronger proportional effort by the 27 remaining MS. Those funds would be channelled via EU institutions.

Conversely, as in the first Brexit scenario (a nationalist UK), if the UK leaves not only the EU but also other international ventures (thereby reducing ODA), it might trigger a knock-on effect in other European MS. Such a political shift would probably resonate in countries historically less committed to aid (mainly Eastern and Southern members), and in those influenced by populist movements advocating against the EU and overseas aid. However, based on the interviews conducted for this study, we have opted for discarding this third option, which would imply a reduction of ODA within the EU-27 after Brexit.

The different positions regarding the EU's aid budget will be confronted during the upcoming discussion regarding the 2021-2027 MFF and the mid-term review of the current MFF. The aid budget will, therefore, be negotiated alongside the funding of EU internal policies, the total expenditure ceiling for which is currently set at 1 % of GNI.

Specific discussion on the Global Europe chapter of the MMF is very likely to start with a proposal by the EC for the 27 to fill in the gap left by the UK, thereby maintaining the EU's high profile in development as a main pillar of its external projection. Arguments for this option would be supported by the recently renewed commitment of all MS to the 0.7 % target, as signatories of the Sustainable Development Agenda, as well as the need to assist resilient states and societies beyond the EU borders for security reasons, as expressed in the European global strategy. However, there is very likely to be reluctance by MS to increase contributions, particularly those in the South and East who will not accept additional funding of the EU's external action at the expense of fostering economic growth within Europe.

The diverse parties involved in this debate might reach agreement in another, more specific forum. The post-Cotonou discussions which are expected to address EDF reform (an extra-budgetary MS commitment to development via EU institutions) provide an excellent opportunity to review Europe's overall commitment in development finance. This depends not only on MS contributions to the EU budget, but also the EU's own resources, the MS budgets and other financial resources such as public loans, as well as private resources guided by diverse policy tools. Regarding the EU's own resources, the UK's departure might facilitate implementation of the EC proposal on a European financial transaction tax, which would be partly dedicated to funding development initiatives (Ambassade de France à Madrid, 2014).

6.2 Should EU aid be used in a different way after Brexit?

Following Brexit, the EU is very likely to follow its current pattern of aid allocation across countries, sectors and channels. This could be understood as path dependency behaviour.

However, the UK has historically exerted a strong influence in EU development policy, shaping its objectives, geographical and sector orientations (Anderson and Mitchell, 2016; Barder, 2016; McAvan, 2016; Price, 2016). When assigning aid, it could be said that EU institutions are 'naturally' inclined to focus geographically on the nearest neighbourhood (Eastern Europe, and North Africa and the Middle East), as well as on sectors which present specific challenges and opportunities for the recipient country, following a trade agreement with the EU. In the absence of the UK, the EU could reinforce its neighbourhood bias. Indeed, this would be consistent with both the European global strategy, and its historical trend.

In influencing EU development policy, the UK has lobbied on behalf of former British colonies within Sub-Saharan countries. Without the UK, the influence of other MS with equally strong historic links with other developing regions (France, Belgium, Spain, Portugal or the Netherlands) might lead to less attention being given to English-speaking developing countries (Anders, 2016). However, EU institutions and other MS not so conditioned by historic and cultural links, would probably balance those influences and this third option might not be realistic.

6.3 Is UK participation in EU development policy after Brexit in the best interests of the EU?

Participation of a non-Member State in the EU's development policy is possible. The EU has recently put in place two legal mechanisms – delegated cooperation and fund trusts –, which not only reinforce EU donor coordination, but also allow non-Member States, such as Norway and Switzerland, to channel their ODA via the EU. Furthermore, as highlighted by several interviewees, the EDF has its own legal and institutional basis (the Cotonou Agreement and the EU-ACP Institutions), which theoretically could easily be preserved as a pan-European development fund. Conversely, the European Investment Bank, which channels the EU's reimbursable aid, was established by article 308 of the Treaty on the Functioning of the European Union, and its members are EU MS.

In any case, since the EU has already demonstrated its ability to set up whatever institutional arrangement is needed to progress intergovernmental cooperation, in the following paragraphs we reflect on the EU's interests in 'keeping the door open' for the UK with regard to this specific policy area. This will be a more crucial determinant than legal considerations.

The UK has traditionally played the role of an influential partner in EU development policy. However, it has nevertheless been against joint programming, an element in the EU Consensus of Development (currently being revisited), which is believed to increase aid effectiveness, but gives the EC a coordinating role. In other words, the UK has not only tried to influence aid policy amongst EU institutions, but at the same time it has also tried to avoid the influence of EU institutions on MS' aid.

Despite the UK's reluctance, significant progress has been made in EU donor coordination with the result that about 50 recipient countries are now subject to a joint EU programme. Also, blending finance for EU and MS, trust funds, together with delegated cooperation, have also been developed in recent years. Brexit can be seen as providing an opportunity to make progress in this regard and generally look for further integration in development policies. Moreover, EU institutions and MS can always coordinate their aid within the DAC's framework or at field level on a case-by-case basis. Additionally, the multilateral system

(UN agencies, multilateral development banks, global partnerships, etc.) enables close coordination for each programme basis, and does not entail the setting up of specific aid instruments by the EU.

However, if the 27 MS were not willing to fill the gap left in EU aid programmes by the UK's departure, it would seem easier for the EC to preserve as many of its programmes as possible by allowing the UK to maintain its contributions, rather than seeking synergies with MS programmes.

Table 19. EU policy choices

Political vision	Aid volume	Aid allocation	UK-EU coordination
EU, a global player	Increase	Unchanged	Relevant
EU, a regional power	Unchanged	Strengthened focus on the neighbourhood	Not relevant

7 Conclusions and recommendations: assessing policy options for the EU under each post-Brexit scenario

Combining the two different sets of options with the three post-Brexit scenarios facilitates an assessment of how to address the challenges and opportunities for development and humanitarian aid from the three perspectives set out in section 5 (financial, operational and political).

7.1 Financial assessment and policy options

Brexit would lead to a reduction in global aid only if UK contributions to the EU budget and the EDF were not maintained, either under new UK-EU collaboration agreements (cosmopolitan UK, scenario 3) or under UK programmes (realist UK, scenario 2). A reduction would apply only in the event of a more inward looking UK after Brexit (nationalist UK, scenario 1), and would be especially relevant for EU institutions if they were to have a clear mandate for keeping or increasing their global player ambitions. That is, if the EU seeks to maintain a global role, it would have to increase its aid commitments were the nationalist UK scenario to materialise. Otherwise, under scenarios 2 and 3 (realist or cosmopolitan UK) or in the event of an EU with a more limited, regional, external outreach, aid funds could remain at the present level (table 20).

Table 20. EU policy options regarding aid volume

		Post-Brexit scenarios		
		Nationalist UK	Realist UK	Cosmopolitan UK
Financial impact	Variation of global aid volume	-3 %	0 %	0 %
EU political vision	Global player	Increase of EU aid	Same volume	Same volume
	Regional power	Same volume	Same volume	Same volume

7.2 Political assessment and policy options

From a different perspective, mindful that losing the UK's contribution would reduce the EU's capacity to be influential on international issues (via, for instance, a lower share of world aid), the EU should compensate for the loss of UK contributions to the EU budget and the EDF. This is especially relevant if the EU intends to preserve a high profile in development issues (opts for being a global player) as part of its worldwide projection. If the UK were willing to maintain some sort of contribution to EU aid instruments (under scenario 3, a cosmopolitan UK), such compensation could be lessened.

If the EU were to opt for a neighbourhood focus very much linked to its own security interests (a regional power), negotiations among MS on how to progress with the integration of external aid and foreign action would be more relevant than negotiations with the UK aimed at setting up a new collaboration scheme for jointly addressing development goals. Under this option, the loss of aid resources following the UK's exit from the EU could be compensated for by prioritising the neighbourhood area in budget allocation decisions (table 21).

Table 21. EU policy options regarding its share of global aid and ODA in the neighbourhood

		Post-Brexit scenarios		
		Nationalist UK	**Realist UK**	**Cosmopolitan UK**
Political impact	Variation of EU share of global aid	-10 %	-12 %	-13 %
	Variation of aid to Europe and MENA	-4 %	-2 %	-1 %
EU political vision	Global player	High increase of EU aid (global) Same allocation (neighbourhood)	High increase of EU aid (global) Same allocation (neighbourhood)	Moderate increase of EU aid and collaboration with the UK (global) Same allocation (neighbourhood)
	Regional power	Same volume (global) Refocus on the neighbourhood (neighbourhood)	Same volume (global) Refocus on the neighbourhood (neighbourhood)	Same volume (global) Refocus on the neighbourhood (neighbourhood)

7.3 Operational assessment and policy options

The operational impact of Brexit, explained in section 5.3, would probably not produce any reaction from the EU, unless it adopts a global player profile and the first scenario based on a nationalist UK is applied. If this were so, the EU would almost certainly come under pressure from multilateral bodies and NGOs to compensate for aid losses due to the withdrawal of UK support. Such compensation would be consistent with an increased responsibility for global issues as both multilateral organisations and NGO networks contribute to better governance, according to EU political statements.

If the EU were to focus on its neighbourhood, priorities with regards to aid channels would be completely independent of the direct operational impact of Brexit. However, according to a review of the neighbourhood instrument following the Arab Spring (European Commission, 2015), EU bilateral aid might increase only in countries making progress towards democratic consolidation while levels of support for non-state actors and multilateral organisations in other countries would be unaffected.

Table 22. EU policy options regarding its reliance on alternative channels of aid

		Post-Brexit scenarios		
		Nationalist UK	**Realist UK**	**Cosmopolitan UK**
Operational impact	Variation of channels of aid: - bilateral	-1 %	-2 %	-1 %
	- multilateral	-4 %	-1 %	2 %
	- non-state actors	-5 %	-1 %	-1 %
EU political vision	Global player	Possible reallocation in support of the multilateral system and NGOs	-	-
	Regional power	Mix of tools depending on the country	Mix of tools depending on the country	Mix of tools depending on the country

If the EU were to adopt a regional power approach, the consequences of Brexit (under any scenario) would be interpreted as mild and there would be no need, therefore, for bold policy actions on the part of the Union. There would be a huge impact on the volume of aid spent but, again, this would not be a major issue for a Union focusing on immediate borders (and problems). EU institutions' aid would probably be reallocated to developing neighbour countries and coexistence with British aid would be dealt with in the field, on a case by case basis.

However, if the EU were to read current challenges (Brexit, the rise of populist movements, international emergencies such as the refugee crisis) as political opportunities to grow and act as a global leader, different Brexit scenarios would require different reactions in the field of development and humanitarian policies. EU aid would necessarily increase (particularly if the UK opts for a nationalist or realist approach to its foreign policy). Moreover, a reallocation strategy would be needed if the EU were to aim at compensating for the loss of participation from NGOs and selected multilateral actors in the new scenario.

Concerning this last issue, the most important operational consequences of Brexit for the EU would fall under the third scenario (a cosmopolitan UK), and the EU's option to be a global player. In that case, it would be in the EU's best interests to maintain close cooperation with the UK on development issues, and lever the highest amount of UK funding possible for EU instruments. In that regard, EU institutions would need clear regulations on how to channel UK funding and how to work together with UK government officers.

The EU already has the legal mechanisms for doing so and is already channelling resources from EFTA countries such as Norway and Switzerland. However, the EC might consider reviewing these mechanisms in preparation for revision of the EDF and EU Budget Regulations for the period 2021-2027. By doing so, it would 'leave a door open' for future UK collaboration in EU development policy. Nevertheless, any legal development in this respect would have to build upon the existing tools, which are mostly of three kinds:

Firstly, an extra-budgetary fund based upon an international agreement among the EU institutions and MS. This is the case for the European Development Fund, based upon the Cotonou Agreement. Allowing the UK to stay as a signatory party to this agreement would be the easiest way to maintain 'business as usual'.

Secondly, recently developed EU trust funds allow MS and other countries to contribute to thematic-based or country-based large initiatives financially, and participate in board decisions on aid programmes specifically funded through those funds.

Thirdly, delegated cooperation allows MS, EFTA countries and EU institutions to fund a programme in a partner country jointly by channelling the funds through a single agency and thereby increasing its effectiveness.

Again, if the trade agreement framing UK-EU relations after Brexit were to differ much from the EFTA (in the case of hard Brexit), the UK would not be considered by the EU as equal to Norway or Switzerland in any policy area. In that case, EU institutions ought to invest their time and energy in reinforcing coordination among EU-27 development policies.

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